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RECORDATION NO. 21158-A4B

FILED

JAN 6 '98

1-10PM

OF COUNSEL  
URBAN A. LESTER

JAN 6 1 08 PM '98

RECEIVED  
SURFACE TRANSPORTATION  
BOARD

January 6, 1998

*Q.L.*  
Mr. Vernon A. Williams  
Secretary  
Surface Transportation Board  
Washington, D.C. 20423

RECORDATION NO. 21158- FILED

JAN 6 '98

1-10PM

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a), are three (3) copies of a Full Service Lease Agreement, dated February 28, 1997, a primary document as defined in the Board's Rules for the Recordation of Documents and three (3) copies of the following secondary documents related thereto: Memorandum of Lease Assignment, Management and Escrow Agreement, dated December 23, 1997 and Memorandum of Asset Purchase, Assignment and Assumption Agreement, dated as of December 29, 1997.

The names and addresses of the parties to the enclosed documents are:

Full Service Lease Agreement

*Primary* → Lessor: The Andersons  
480 West Dussel Drive  
Maumee, Ohio 43537

Lessee: Luzenac America  
2150 Beach Blvd.  
Three Forks, Montana 59752

Vernon A. Williams  
January 6, 1998  
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Memorandum of Lease Assignment, Management  
and Escrow Agreement

Assignee: The Vaughn Group, Ltd.  
8240 Beckett Park Drive, Suite D  
Hamilton, Ohio 45001

Assignor: The Andersons, Inc.  
480 West Dussel Drive  
Maumee, Illinois 43537

Memorandum of Asset Purchase, Assignment  
and Assumption Agreement

Assignee: Star Bank, National Association  
425 Walnut Street  
Cincinnati, Ohio 45202

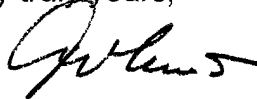
Assignor: The Vaughn Group, Ltd.  
8240 Beckett Park Drive, Suite D  
Hamilton, Ohio 45001

A description of the railroad equipment covered by the enclosed documents is set forth on Exhibit A attached hereto.

Also enclosed is a check in the amount of \$72.00 payable to the order of the Surface Transportation Board covering the required recordation fee.

Kindly return stamped copies of the enclosed documents to the undersigned.

Very truly yours,



Robert W. Alvord

RWA/bg  
Enclosures

EXHIBIT A		
LUZENAC AMERICA #199701-LUZRI		
1	BAEX	179
2	BAEX	182
3	BAEX	210
4	BAEX	229
5	BAEX	235
6	BAEX	243

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04/29/97

## FULL SERVICE LEASE AGREEMENT

Lease Number # 199701-LUZ

JAN 6 '98

1-10PM

This Full Service Lease Agreement (Lease), made effective this 28th day of February, 1997, by and between The Andersons, Inc., an Ohio corporation, with its principal office at 480 West Dussel Drive, Maumee, Ohio 43537, (hereinafter "Lessor"), and Luzenac America, a Colorado corporation, with its principal office at 2150 Bench Road, Three Forks, MT 59752 (hereinafter "Lessee").

## WITNESSETH

**ITEM 1. LEASE.** Lessor agrees to lease to Lessee, and Lessee agrees to lease from Lessor, upon the terms and conditions set forth herein, the railway cars described in Equipment Lease Rider(s) (Rider) and applicable exhibits which may from time to time be added to this Lease by agreement of Lessor and Lessee. (Such cars are referred to herein as the "Cars" or "Car".)

**ITEM 2. LESSOR.** This Lease shall be construed on a car-by-car basis. Lessor shall have responsibility as Lessor hereunder only with respect to Cars leased under Rider added hereto which have been executed by it as Lessor. In the event any term or provision of this Lease shall be inconsistent with any term or provision of any Rider hereunder, then in that event the Rider shall be controlling.

**ITEM 3. RENTAL CHARGES.** The monthly rental rate for each Car shall be that specified in Rider with respect to such Car. Except as otherwise provided herein, Lessee shall pay the Lessor such rental specified in such Rider from the date the Car is delivered to Lessee pursuant to ITEM 5 to the date the Car is returned to Lessor in the manner provided in ITEM 9. Lessor will allow Lessee mileage credits against such rental in the manner provided in ITEM 6.

Lessee acknowledges and agrees that Lessee's obligation to make all payments hereunder, and the rights of Lessor in and to all such payments, shall be absolute and unconditional and shall not be subject to any abatement of rent or reduction thereof, including, but not limited to, abatements or reductions due to any present or future claims of Lessee against Lessor, the manufacturer of the Cars, or any party under common ownership or affiliated with Lessor, by reason of any defect in the Cars, the condition, design, operation or fitness for use thereof, or by reason of any failure of Lessor to perform any of its obligations hereunder, or by reason of any other cause. It is the intention of the parties hereto that the rent payable by Lessee hereunder shall continue to be payable in all events and in the manner and at the times herein provided unless the obligation to pay shall be suspended or terminated pursuant to the provisions of this Lease.

**ITEM 4. TERM.** The rental for each Car shall be that specified in Rider with respect to such Car and shall commence on the date of arrival of the Car in the delivering railroad yard of Lessee's designated point of receipt, or in the case of a Car which is to be lined, coated or otherwise modified at Lessee's request, the facility where such work is to be done ("Placement Date"). The expiration of this Lease with respect to a Lessee is defined to be the date of termination of the final Rider applicable to such Lessee. Notwithstanding the expiration or termination of this Lease, the obligations of Lessee hereunder shall continue in effect with regard to each Car until returned to possession of Lessor under the terms and conditions of ITEM 9.

**ITEM 5. DELIVERY.** Each of the Cars shall be delivered to Lessee at the delivery point designated by Lessee. The obligation of Lessor to furnish Cars shall be subject to all causes reasonably beyond the control of Lessor, including, but not limited to delays caused by fire, labor difficulties, delays of carriers and materialmen or governmental authority. Lessor shall not be liable for any damages by reason of any such delay and such delay in delivery shall not affect the validity of this Lease.

**ITEM 6. MILEAGE.** Lessor shall collect all mileage earned by Cars, and shall credit to the rental account of Lessee such mileage earned by Cars while in the service of Lessee, as and when received, according and subject to all rules of the tariffs of the railroads, but only to the extent of the aggregate rental charges payable hereunder. Lessee shall advise Lessor in writing of any agreement or arrangement with any party that affects the mileage earnings of any Car hereunder.

**ITEM 7. PAYMENT.**

(a) Lessee shall pay in advance on the delivery of each Car, respectively, for the period intervening the date of delivery and the first of the next succeeding calendar month, and shall pay only the portion of such monthly charge attributable to any fractional month accruing at the termination of this Lease. Rent for all remaining months of the lease term shall be payable on the first day of each month. Lessor or its agents shall invoice in advance of the calendar month for all subsequent months, but Lessor or its agents failure to send such invoice shall not relieve Lessee of its obligation to pay rent hereunder. Lessee agrees to pay said rental and service charges in U.S. funds to Lessor at its principal office or as specified in such applicable invoice. Payments are deemed paid when received by Lessor.

(b) In the event Lessee fails to make rental payments according to the terms of Rider, Lessee shall pay late fees as set forth in ITEM 33(g) below.

**ITEM 8. RETURN OF THE CARS.** Upon the expiration or termination of this Lease as to any of Cars, Lessee agrees to return each of the Cars at Lessee's sole expense to the point designated by Lessor within the boundaries of the continental United States (excluding Alaska) in good working order, ordinary wear and tear excepted, free from all charges and liens which may result from any act or default of Lessee, clean and free from residue and complete with all parts, equipment, and accessories with which each Car was originally equipped or which had been added during the term of Lease. Lessee, at its own expense, shall either replace or reimburse Lessor for the cost of replacing any appliance or removable part, if destroyed, damaged or lost, removed or stolen, unless the railroad transporting the Car(s) has assumed full responsibility for such loss damage, or unless such loss or damage results from the negligence or omission of Lessor, its agents or employees. Lessee shall give to Lessor thirty (30) days advance written notice of such return. Lessee shall, on demand, reimburse Lessor for the cost of cleaning any Cars not properly cleaned or containing residue, as well as monthly rental and service charges incurred during the cleaning process. All of the obligations of Lessee under this Lease with respect to such Cars shall remain in full force and effect until such Cars are redelivered to Lessor provided, however, that the daily rental for each of such Cars during such period shall be one and one-half (1 ½) times the daily rate of the rental specified in the Rider applicable to such Cars.

**ITEM 9. INSPECTION OF CAR.** Each of Cars shall be subject to Lessee's inspection before first loading. The loading of each Car shall constitute acceptance thereof by Lessee, and shall be conclusive evidence (a) of the fit and suitable condition of such Car for the purpose of transporting the commodities then and thereafter loaded therein, and (b) that it is one of the Cars described in the applicable Rider. Lessee shall notify Lessor in writing within five (5) working days after delivery of its rejection of any Car and the specific reasons for such rejection. Failure by Lessee to notify Lessor within five (5) working days after delivery of any Car shall constitute acceptance of the Car by Lessee and shall be conclusive evidence of the fit and suitable condition of the Car.

**ITEM 10. CLEANING OF CARS.** Cars will be delivered suitable for applicable use specified in Rider(s) and shall be returned in the same condition. Any cleaning of Cars that may be necessary to prepare them for shipment of commodities by or for Lessee or any cleaning required prior to repairs or modifications while in Lessee's service shall be done at Lessee's expense and responsibility unless otherwise agreed in writing.

**ITEM 11. MAINTENANCE.** Lessor agrees to maintain each of the Cars in good condition and repair according to the Interchange Rules of the Association of American Railroads ("AAR"). Lessee agrees to forward the Cars to the shops designated by Lessor for periodic maintenance repairs as may be directed by Lessor. No repairs to any of the Cars shall be made by Lessee without Lessor's prior written consent. Any repairs covered by railroad defect card will not be charged to Lessee. Replacement or repair by Lessee of any parts, equipment and/or accessories on any of the Cars shall be with parts, equipment, and accessories that are of like kind and of at least equal quality to those being replaced or repaired unless otherwise agreed in writing by Lessor. Lessee shall be responsible for all gate, door, hatch cover and lining, where applicable, according to AAR Interchange Rules.

**ITEM 12. MANDATED MODIFICATIONS.** In the event the U. S. Department of Transportation, or any other governmental agency or non-governmental organization having jurisdiction over the operation, safety or use of railroad equipment, requires that Lessor add, modify or in any manner adjust the Cars subject to this Lease in order to qualify them for operation in railroad interchange, Lessee agrees to pay an additional monthly charge of [REDACTED] U. S. Dollars ([REDACTED] per Car for each One Hundred Dollars (\$100.00) expended by Lessor on such Car, or such other monthly charge in lieu thereof, as may be provided for modifications in the Rider hereto. Such payment shall be made effective as of the date Car is released from the shop after application of such additions, modifications or adjustments (hereinafter "Modifications"). One half (½) rental credits will be issued on Cars entering the shop for any Modifications for the first sixty (60) days. In the event Lessor, in its sole discretion, determines prior to making any Modifications that the cost thereof is not economical to expend in view of the estimated remaining useful life of any Car, and Lessor elects to permanently remove such Car from Lessee's service rather than have such Car taken to a car shop for such Modifications, the rental with respect to such Car shall terminate thirty (30) days after Lessor gives Lessee written notice of abatement, and any such removal shall be prior to the date the Modification is required to be made.

**ITEM 13. LESSEE IMPROVEMENTS.** All additions and improvements to any Car made at Lessee's request, including without limitation, parts, accessories, linings, coatings and modifications, shall be considered accessions to such Car, and title thereto shall immediately vest in Lessor without cost or expense to Lessor. When requested by Lessor, Lessee shall, at Lessee's expense, remove any such additions or improvements prior to the return of any Car.

**ITEM 14. ABATEMENT OF RENTAL.** Except as described in ITEM 13 above, when Cars are placed in a private car shop for maintenance and/or repair, the rental charges of each Car shall cease five (5) days after the date of arrival in shop and will be reinstated on the date such Car is forwarded from shop. If any repairs are required as a result of the misuse or by negligence of Lessee, its consignee, agent, or while on a railroad that does not subscribe to, or fails to meet its responsibility under the Interchange Rules of the AAR, or while on any private siding or tract or any private or industrial railroad, the rental charge shall continue during the repair period, and Lessee agrees to pay its Lessor for the cost of such repairs.

**ITEM 15. SUBSTITUTION OF CARS.** If any Cars shall be completely destroyed, or if physical condition of any Car shall become such that such Car cannot be operated in railroad service as determined by the parties and/or any railroad, then Lessor may cancel this Lease as to such Car as of the date on which such event occurred, or may agree to substitute another Car of approximately the same type and capacity within a reasonable period of time not to exceed forty-five (45) days unless otherwise agreed and, in the event of such substitution, the substituted Car shall be held pursuant to all terms and conditions of this Lease and the Rider hereto governing the Car which is unavailable for service. If Lessor decides to substitute Cars, or should any of the Cars become unavailable for use pursuant to this Agreement for any other reason, Lessor and Lessee shall agree to substitute another Car of approximately the same type and capacity within a reasonable period of time, not to exceed forty-five (45) days unless otherwise agreed, and in the event of such substitution, the substituted Car shall be held by Lessee pursuant to all the terms and conditions of this Agreement and Rider hereto governing the Car which is unavailable for service.

**ITEM 16.****CASUALTIES AND REPORTS.**

(a) Lessee shall be liable for all damage to any Car which (i) is caused by the negligence or misconduct of Lessee or its agents or customers or (ii) occurs while such Car is located on the premises of Lessee, its agents or customers, regardless of the cause thereof, unless a subscribing railroad to the code of AAR Interchange Rules will assume the responsibility therefor, or such damage is the result of the negligence or misconduct of Lessor or its agents. Lessee agrees that if by reason of such misuse or negligence or while on a railroad that does not subscribe to, or fails to meet its responsibility under the Interchange Rules of the AAR, or while on any private siding or track or any private or industrial railroad, any Car is completely destroyed or in the opinion of the Lessor, and/or a mutually agreed upon third party, such Car's physical condition is such that it cannot be operated in railroad service, Lessee will pay Lessor, in readily available good U.S. funds, the AAR depreciated value and/or settlement value as determined by the AAR Rules of Interchange in effect at that time within ten (10) days following a request by Lessor for such payment.

(b) In addition, if any Car part, including but not limited to, outlet caps, valves, manway coverings and fittings is found loose, damaged, lost or removed without consent from Lessor, Lessee shall be liable therefore, regardless of the cause thereof, unless (i) full responsibility therefore has been assumed by one or more railroads or (ii) such loss or damage occurs while the Car is located at a repair facility of Lessor and is the result of the negligence or misconduct of Lessor or its agents.

(c) In the event any Car, or the tank, fittings or appurtenances thereto, including interior lining for any Car so equipped shall become damaged or suffers corrosion or other damage related to or connected with the commodity or other material placed or allow to accumulate in or on the Car, or to which the Car is exposed, Lessee shall be liable for such damage, regardless of how caused and whether or not due to Lessee's negligence. Such damage shall not be considered "ordinary wear and tear". Prior to the commencement of the term of lease of any Car, Lessor will, if requested by Lessee, arrange a joint inspection of the Car at a repair shop designated by Lessor. Unless prior to the first loading of the Car by Lessee a joint inspection report setting forth the nature and amount of any then existing damage is signed by both parties, it shall be conclusively presumed that the Car was free of corrosion or other commodity-related damage at the time of commencement of the term of Lease of such Car.

(d) Lessor, its agents and employees shall have the right to enter upon Lessee's premises and to exercise Lessor's right to inspect the Cars as permitted under any subleases, to inspect and examine the same during normal business hours and at any other times. So long as Lessee is not in default, Lessor shall give Lessee not less than twenty-four (24) hours notice of such inspection. Lessee shall immediately give Lessor written notice of any damage to or loss to the Cars in excess of five thousand dollars (\$5,000.00) from any cause, including without limitation, damage or loss caused by accident, the elements, intentional acts and theft. Such notice shall set forth an itemization of the affected Cars and a detailed account of the event, including names of any injured persons and a description of any damaged property arising from any such event or from any use or operation of the Cars, and of any attempt to take, distraint, levy upon, seize or attach the Cars. All rights granted to Lessor herein are for the benefit of Lessor and shall not be construed to impose any obligation on Lessor, whether or not Lessor makes any inspections or receives any reports.

(e) If, during the term of applicable Rider, any Car is seized by a governmental authority for a period less than the then unexpired term of this Lease, the applicable Rider shall continue in full force and effect as if such taking had not occurred and rent hereunder shall not be diminished or abated. Provided that no default or event of default (as defined in ITEM 28 hereof) exists and is continuing, Lessee shall be entitled to receive and retain any award paid by the seizing governmental authority as compensation for the interruption of Lessee's leasehold interest in such Car. If a default or event of default so exists and is continuing, Lessor shall receive any award as security for performance of this Lease, which award may be applied by Lessor to amounts due or to become due hereunder.

**ITEM 17.        LIMITATIONS ON USE.**

(a) Lessee agrees to the best of its ability, to use the Cars exclusively in Lessee's service within the boundaries of the continental United States. Lessee shall make no transfer or assignment of this Lease. In the event any Car is used outside of the area specified and/or in Mexico and Canada,

Lessee agrees to bear full responsibility for, to defend and to reimburse Lessor for any loss, damage, and/or costs and expenses suffered by Lessor, or claim against Lessor for all costs and expenses, including legal costs and attorney's fees arising in any way from such Car's movement, outside the boundaries of the continental United States.

(b) Lessee warrants the Cars will be used only as specified in Rider. Lessee shall not use or permit any Car to be used in an improper or unsafe manner, in violation of any contract of insurance applicable to any Car or in violation of any applicable law, regulation, directive, statute, ordinance or rule.

(c) Lessee agrees not to load any of the Cars in excess of the load limit stenciled thereon. Lessee will keep the Cars free and clear of any and all liens, charges, encumbrances and adverse claims (except those arising from acts of Lessor).

(d) Lessee shall not, without the prior written consent of Lessor, use any Car or permit such Car to be used in such a manner that in any consecutive twelve (12) month period of service it accumulates miles (loaded or empty) in excess of Thirty Thousand (30,000) miles. If the mileage is exceeded, Lessee shall pay Lessor a mileage charge in the amount of \$[REDACTED], or as otherwise provided for in Rider, for each mile such Car moves in excess of such limitations. If Car is used less than a consecutive twelve (12) month period, then mileage charge will be prorated at Eighty-Five (85) miles per day allowable before an excess mileage charge is applied. In determining mileage, railroad records will be conclusive.

#### **ITEM 18. GOVERNMENTAL AND INDUSTRIAL REGULATIONS.**

(a) Lessee agrees to comply with all governmental laws, rules, regulations and requirements and with the Interchange Rules of the AAR with respect to the use and the operation of each of the Cars during the term of this Lease.

(b) During the time period this Lease is in effect, no Car shall be loaded with or used to transport any hazardous material as hazardous materials are defined in any federal, state or local environmental law and applicable regulation, including but not limited to, OSHA's Hazard Communication Standard 29 CFR 1910.1200, EPA's Resource Conservation and Recovery Act Standards 40 CFR 260-263 and the Clean Water Act 40 CFR 116-117. Further, no Car shall be used in violation of any federal, state or local environmental law or regulation. If the use of any Car violates any of the foregoing provisions, Lessee agrees that it shall indemnify and hold Lessor harmless from all claims, liabilities, losses, damages, costs and expenses (including attorney's fees and the expenses of litigation) arising out of such use of any Car.

**ITEM 19. SUBLEASE AND ASSIGNMENT.** Lessee shall not loan or sublet any Car or transfer or assign any of its interests or obligations under this Lease, whether by operation of law or otherwise, without the prior written consent of Lessor, except that Lessee may load or sublet Cars to (i) its affiliated companies, or (ii) its consignees or suppliers in connection with the handling of commodities sold, bought or supplied for the account of Lessee and transportation therein. No sublease, assignment or transfer of any Car or any interest in this Lease shall relieve Lessee of any of its obligations hereunder and Lessee shall make any such permitted sublease, assignment, or transfer expressly subject to the terms and conditions of this Lease.



**ITEM 20. ADDITIONAL CHARGES BY RAILROADS.** Lessee agrees to use Cars, upon each railroad over which Cars shall move, in accordance with the then prevailing tariffs to which each such railroad shall be a party. If the operations or movements of any of Cars during the term hereof shall result in any charges being made against Lessor by any such railroad, Lessee shall pay Lessor for such charges within the period prescribed by and at rates and under the conditions established by said then prevailing tariffs. Lessee agrees to indemnify Lessor against same and shall be liable for any switching, demurrage, track storage, or detention charge imposed on any of Cars during the term hereof.

During the term of this Lease, Lessee agrees that it will use its best efforts to maintain the aggregate mileage under load for all Cars covered hereunder equal to or exceeding the aggregate mileage empty for such Cars. Following (i) the end of the calendar year during the term of this Lease and (ii) the termination or expiration of this Lease, the Lessor will determine for each calendar year or portion thereof just ended, the aggregate loaded mileage and empty mileage of Cars and advise Lessee of the same. In the event that the empty mileage of the Cars should exceed, in the aggregate, their loaded mileage for the calendar year or portion thereof covered by the determination mentioned in the immediately preceding sentence, Lessee shall promptly pay Lessor for such excess according to the rate established by the governing tariff.

**ITEM 21. USE OF CARS UNDER AAR CIRCULAR OT-5.** Whenever approval of the originating line haul carrier(s) is required in order that Cars may be placed in service pursuant to AAR Circular OT-5 and any revisions or successors thereto, Lessor shall, upon written request of Lessee, use reasonable efforts to aid Lessee in obtaining such approval. In no event shall Lessor be liable if any such approval is not obtained for any reason or is withdrawn or modified, and this Lease shall continue in full force and effect notwithstanding such withdrawal or modifications or the failure to obtain such approval.

**ITEM 22. ALTERATION AND LETTERING.** Lessee will preserve Cars in good condition and will not in any way alter the physical structure of Cars without the advance approval in writing of Lessor. Lessee shall place no lettering or marking of any kind upon Cars without Lessor's prior written consent.

**ITEM 23. DAMAGE TO OR BY COMMODITIES.** Lessor shall not be liable for any loss of or damage to any commodities or any part thereof loaded or shipped in Cars, regardless of how such loss or damage may be caused. Lessee shall indemnify Lessor against and hold Lessor harmless from all claims, liabilities, losses, damages, costs and expenses (including attorney's fees and expenses or litigation) arising out of or resulting from the loss of or damage to any such commodity or the loading, unloading, spillage, leakage, emission or discharge of commodity in or from Cars, including without limitation any liability for injury, death, property damage or environmental pollution. Lessee hereby expressly agrees that Lessor shall not be liable for any incidental or consequential damages of any kind whatsoever, incurred by Lessee or any other person or entity, resulting directly or indirectly from this Lease.

**ITEM 24. TAXES.** Lessor shall pay all ad valorem taxes properly imposed on the use of such Cars, and will file all ad valorem reports relating thereto. Lessee shall be responsible for all other taxes levied on Cars including, but not limited to, use taxes imposed by federal, state, municipal, and other governmental authority. In addition, Lessee agrees to assume cost of duty, and all other taxes incidental to exportation of the Cars out of or operation thereof in Canada.

**ITEM 25. SUBORDINATION.** All rights of Lessor hereunder may be assigned, pledged, mortgaged, transferred, or otherwise disposed of, either in whole or in part, and/or Lessor may assign, pledge, mortgage, transfer or otherwise dispose of title to the Cars without notice to Lessee. In the event of any such assignment, pledge, mortgage, transfer or other disposition, this Lease and all of Lessee's rights under this Lease under or through Lessee are hereby made subject and subordinate to the terms, covenants, and conditions of any chattel mortgages, security agreements, conditional sale agreements, other sales or assignments, and/or trust agreements covering Cars or any of them heretofore or hereafter created and entered into by Lessor, its successors or assigns, and to all of the rights of any such chattel mortgagee, assignee, trustee, secured party, or other holder of the legal title to Cars, however, so long as Lessee is not in default under this Lease, such assignment, pledge,

mortgage, transfer, or other disposition shall not increase Lessee's obligations hereunder or result in deprivation of its quiet enjoyment of Cars. At the request of Lessor or any chattel mortgagee, assignee, trustee, secured party, or other holder of the legal title to Cars, Cars may be lettered or marked to identify the legal owner of Cars at no expense to Lessee. If during the continuance of this Lease, any such marking shall at anytime be removed or become illegible, wholly or in part, Lessee shall immediately cause such marking to be restored or replaced at Lessor's expense.

**ITEM 26. INSURANCE AND INDEMNITY.** Lessee will indemnify Lessor, and its related businesses, its officers, agents, employees of agents, employees, successors and assigns (Indemnified Parties) against and hold Indemnified Parties harmless from any loss, damage, claim, expenses (including attorney's fees and expenses of litigation), or injury imposed on, incurred by, or asserted against Indemnified Parties arising out of Lessee's use, lease, possession or operation of Cars occurring during or after the term of this Lease, or by the contents of such Cars, howsoever occurring except any loss, liability, claim, damage, or expense which is directly attributable to the sole fault or neglect of Indemnified Parties, or for which a railroad or railroads have assumed full responsibility. All indemnities contained in this Lease shall survive the termination hereof, however same shall occur.

(a) At its own expense, Lessee shall, throughout the term of this Lease and until the last Car is redelivered to Lessor maintain all risk property insurance in the amount not less than 100% of the insurable value of the Cars on a replacement cost basis. Lessee's policy shall be primary and without contribution by Lessor. Lessee shall name Lessor and its related businesses as loss payee on such property insurance. The proceeds of such insurance will be applied first to any unpaid obligations of Lessee under this Lease arising prior to the receipt of the proceeds and then toward the restoration or repair of the Cars, or if Lessor determines that any item of Car is lost, stolen, destroyed, or damaged beyond repair, toward payment of the amounts required. Any excess proceeds remaining thereafter will be paid to Lessee, provided Lessee is not then in default under this Lease.

(b) Lessee shall maintain Commercial General Liability insurance with minimum limits as set forth below:

General Aggregate: One Million Dollars(\$1,000,000.00)

Per Occurrence Aggregate: One Million Dollars(\$1,000,000.00)

Products/Completed Operations Aggregate: One Million Dollars(\$1,000,000.00)

Lessee shall maintain excess liability with minimum limits of Ten Million Dollars (\$10,000,000.00) Lessee shall name Lessor and its related businesses as additional insured on such policies. The proceeds of all such insurance shall be payable first to Lessor to the extent of Lessor's liability, if any, and the balance to Lessee.

(c) All policies shall be maintained at Lessee's expense. If Lessee fails to procure, maintain and pay for the insurance coverage set forth above, Lessor will have the right, but not the duty, to obtain such insurance on behalf of and at the expense of Lessee. In the event Lessor does obtain and pay for such insurance, Lessee shall reimburse Lessor for the costs thereof no later than the date of the next scheduled rental payment under this Lease.

(d) Certificates evidencing such insurance coverage shall be provided to the Lessor prior to the commencement of this Lease and annually upon renewal of the insurance. Certificates shall be sent to: The Andersons, Inc. Railcar Marketing Department, P.O. Box 119, Maumee, OH 43537.

(e) All policies relating to the insurance referred to in this section shall be in such form and with such companies as are satisfactory to Lessor. Lessee hereby appoints Lessor as Lessee's attorney-in-fact to make claim for, adjust, settle, receive payment of and execute and endorse all documents, checks or drafts for loss or damage under any such insurance policy.

**ITEM 27. EVENTS OF DEFAULT.**

(a) Any of the following events shall constitute an Event of Default:

(1) The nonpayment by Lessee of any rent or other amount provided for herein after the same is due and payable and such default continues for a period of five (5) days thereafter.

(2) The failure of Lessee to observe, keep or perform any other provisions of this Lease required to be observed, kept or performed by Lessee.,

(3) The failure of Lessee to make payment when due, or to observe or perform any covenant or agreement contained in, or the occurrence of a default under any agreement evidencing any other obligation of Lessee.

(4) The making of any representation or warranty by Lessee herein or in any agreement, document or certificate delivered to Lessor in connection herewith, or any financial statement furnished by Lessee to Lessor which, at any time, proves to be incorrect in any material respect.

(5) The making an assignment for the benefit of creditors or committing any other affirmative act of insolvency or bankruptcy, filing a petition in bankruptcy or for arrangement or reorganization by Lessee or having such a petition filed against Lessee if such petition is not dismissed or withdrawn within thirty (30) days.

(6) The attachment of a substantial part of the property of Lessee or appointment of a receiver for Lessee or any substantial part of Lessee's property.

(7) Lessee ceases to do business as a going concern, or if there is a change in the ownership of Lessee which changes the identity of any person or persons having, directly or indirectly, more than 10% of either the legal or beneficial ownership of Lessee.

(8) There shall occur any event which might, in Lessor's reasonable opinion, have a material adverse effect on the Cars or on Lessee's financial strength, condition, operations or prospects.

(9) Any guarantor of Lessee's obligations hereunder denies guarantor's obligations under the guaranty or attempts to limit or terminate guarantor's obligations to guaranty Lessee's obligations hereunder.

Lessee also agrees, upon any responsible officer of Lessee becoming aware of any condition which constituted or constitutes an Event of Default under this Lease or which, after notice or lapse of time, or both, would constitute such an Event of Default, to promptly furnish to Lessor written notice specifying such condition and the nature and status thereof. For purposes of this Item, a "responsible officer" shall mean, with respect to the subject matter of any covenant, agreement or obligation of Lessee contained in this Lease, any corporate officer of Lessee who, in the normal performance of his operational responsibilities, would or should have knowledge of such matter and the requirements of this Lease with respect thereto.

(b) Upon the occurrence of any Event of Default, and so long as the same shall be continuing, Lessor shall have the right to declare this Lease in default by a written notice to Lessee to that effect. Upon the making of any such declaration, Lessor shall have the right to exercise any one or more of the following remedies:

(1) To take possession of any and all Cars without further demand or notice wherever they may be located without any court order or process of law (but if Lessor applies for a court order or the issuance of legal process, Lessee waives any prior notice of the making of this application of the issuance of such order of legal process) and Lessee hereby waives any and all damages occasioned by such taking of possession, providing Lessor acts in a commercially reasonable manner; any such taking of possession shall not constitute termination of this Lease as to any or all Cars unless Lessor expressly so notifies Lessee in writing;

**(2) To terminate this Lease as to any or all Cars without prejudice to Lessor's rights in respect to obligations then accrued and remaining unsatisfied;**

**(3) To recover from Lessee (and Lessee agrees to pay in cash the following):**

- (a) all amounts owed by Lessee to Lessor under this Lease;**
- (b) an amount equal to the replacement cost of all Cars, as of the date of Default.**
- (c) the unpaid balance of the total rent for the term of this Lease;**
- (d) the amount of any sums paid, rebated, or owed to Lessee from railroad companies to any party arising out of the use of railroad track, engines, equipment or otherwise, including but not limited to mileage credits.**

**(4) To sell any or all Cars in a public sale or private sale (after notice to Lessee of the place and time for such sale), in bulk or in parcels, for cash or on credit without having Cars present at the place of sale and to recover from Lessee all reasonable costs of taking possession, storing, repairing, and selling the Cars (and for a period of one hundred twenty [120] days after the occurrence of an Event of Default, Lessor may use Lessee's premises for any or all of the foregoing without liability for rent, costs, or damages or otherwise) or to otherwise dispose, hold, use, operate, lease to others, or keep idle such Cars all as Lessor in its sole discretion may determine and to apply the proceeds from any such action:**

- (a) To all costs, charges and expenses incurred in taking, removing, holding, operating, repairing, selling, leasing or otherwise disposing of Cars; then**
- (b) To the amounts set forth in ITEM 3. RENTAL CHARGES above and the applicable Rider(s), provided that Lessee shall pay any deficiency due Lessor; and**
- (c) Any surplus shall be retained by Lessor;**

**(5) To pursue any other remedy provided for by statute or otherwise available at law or in equity.**

Notwithstanding any repossession, or other action which Lessor may take, Lessee shall be and remain liable for the full performance of all obligations on the part of Lessee to be performed under this Lease to the extent not paid or performed by Lessee. All such remedies are cumulative and may be exercised concurrently or separately.

In addition to the foregoing, Lessee shall pay Lessor's costs and expenses incurred by reason of Lessee's breach or default which shall include, without limitation, costs and expenses of receiving or retaking possession of the Cars, storing, holding, transporting, insuring, caring for, servicing, maintaining and renting the Cars and collecting rents and professional fees and expenses with respect to or incurred by reason of the breach or default, including legal fees and expenses for advice and legal services in any actions or proceedings which Lessor may commence or in which Lessor may appear or participate to exercise or enforce any rights or remedies or to protect or preserve any rights or interests, and in all reviews of and appeals from any such actions or proceedings.

## ITEM 28. WARRANTIES AND TAX INDEMNIFICATION.

(a) Lessee represents and warrants to Lessor that it is a corporation duly organized and validly existing under the laws of the jurisdiction of its organization and it is qualified to do business in every jurisdiction where the failure to qualify would have a materially adverse effect on Lessor's rights hereunder. Lessee has taken all corporate action, which may be required to authorize the execution, delivery and performance of this Lease and such execution, delivery and performance will not conflict with or violate any provision of its Articles of Incorporation or result in a default or acceleration of any obligation under any agreement, order, decree or judgment to which it is a party or by which it is bound, nor is it now in default under any of the same. There is no litigation or proceeding pending or threatened against Lessee which may have a materially adverse effect on Lessee or which would prevent or hinder the performance by it of its obligations hereunder. This Lease and the attendant documents constitute valid obligations of Lessee, binding and enforceable against it in accordance with their respective terms. No action by Lessee or with any commission or administrative agency is required in connection with this Lease. Lessee has the power to own its assets and to transact business in which it is engaged. Lessee will give to Lessor prompt notice of any change in its name, identity or structure.

(b) THE LEASE OF EACH CAR IS "AS IS, WHERE IS." THIS WARRANTY SET FORTH IN ITEM 29 (b) HEREOF IS EXCLUSIVE AND IN LIEU OF ALL OTHER WARRANTIES OF LESSOR WHETHER WRITTEN, ORAL OR IMPLIED. LESSOR SHALL NOT BY VIRTUE OF HAVING LEASED THE CARS BE DEEMED TO HAVE MADE ANY OTHER REPRESENTATION OR WARRANTY. LESSEE ACKNOWLEDGES AND AGREES THAT: (1) LESSOR IS NOT A MANUFACTURER OF OR A DEALER IN PROPERTY OF SUCH KIND AS THE CARS; (2) LESSOR HAS NOT MADE, AND DOES NOT HEREBY MAKE, ANY REPRESENTATION, WARRANTY OR COVENANT WITH RESPECT TO THE DESIGN, OPERATION, MERCHANTABILITY, CONDITION, QUALITY OR DURABILITY OF THE CARS, THEIR SUITABILITY FOR THE PARTICULAR PURPOSES AND USES OF LESSEE, THE PRESENCE OR ABSENCE OF ANY DEFECTS (WHETHER LATENT OR PATENT), THE POSSIBLE INFRINGEMENT OF ANY PATENT OR TRADEMARK, OR ANY OTHER REPRESENTATION, WARRANTY OR COVENANT OF ANY KIND OR CHARACTER, EXPRESS OR IMPLIED, WITH RESPECT TO THE CARS; AND (3) LESSOR SHALL NOT BE LIABLE TO LESSEE FOR ANY LIABILITY, CLAIM, LOSS, DAMAGE OR EXPENSE OF ANY KIND OR NATURE CAUSED, DIRECTLY OR INDIRECTLY, BY ANY CAR OR ANY INADEQUACY THEREOF FOR ANY PURPOSE, ANY DEFICIENCY OR DEFECT THEREIN, THE USE THEREOF, ANY REPAIRS, SERVICING OR ADJUSTMENTS THERETO, OR ANY INTERRUPTION OR LOSS OF SERVICE OR USE THEREOF OR ANY LOSS OF BUSINESS OR FOR ANY DAMAGE WHATSOEVER OR HOWSOEVER CAUSED, AS ALL SUCH RISKS ARE TO BE BORNE BY LESSEE. LESSOR MAKES NO REPRESENTATION AS TO THE TREATMENT OF THIS LEASE, THE CARS OR THE RENT FOR FINANCIAL REPORTING OR TAX PURPOSES. LESSEE HEREBY WAIVES ANY CLAIM LESSEE MAY HAVE OR ACQUIRE IN THE FUTURE AGAINST LESSOR FOR ANY LOSS, DAMAGE OR EXPENSE CAUSED BY ANY CAR OR ANY DEFECT THEREIN OR THE USE OR MAINTENANCE THEREOF.

(c) If, by reason of any act of commission or omission by Lessee or any person in possession of any Cars, including but not limited to any sublessee, or any a breach by Lessee of this Lease, Lessor loses, does not have, loses the right to claim, is not entitled to, loses its entitlement to, is disallowed, or is required to recapture, all or any portion of any federal, state or local income tax depreciation, investment tax credit or other deductions (computed on the basis of any permissible class life, salvage value, or accelerated method of depreciation provided for in the Internal Revenue Code) with respect to Lessor's cost or financing of any Cars for any Cars, then Lessee shall pay to Lessor on demand as additional rental an amount which is equal to the highest amount that is sufficient to provide Lessor the same after-tax yield, after-tax cash flow, and after-tax internal rate of return as Lessor would have had in the absence of such loss of entitlement, disallowance or recapture.

**ITEM 29. LESSOR MAY PERFORM.** If Lessee at any time shall fail to pay any sum which Lessee is required by the Lease to pay or shall fail to do or perform any other thing Lessee is required by the Lease to do or perform, Lessor, at its option, may pay such sum or do or perform such thing, and Lessee shall reimburse Lessor on demand for the amount of such payment and for the cost and expense which may be incurred by Lessor for such acts or performance, together with interest thereon as set forth in ITEM 33(g).

**ITEM 30. RELIANCE ON LEASE.** Lessor, in consideration of Lessee's oral representations and agreement to observe and be bound by each and all of terms and conditions of this Lease as set forth herein, and the immediate need of Cars by Lessee, may have shipped one or more of Cars to Lessee prior to the formal execution of this Lease. If this has occurred, this Lease, whether or not executed, shall be "Lease" between the parties for such Cars and, upon Lessee's oral agreement to abide by the Lease, shall supersede all prior negotiations and correspondence, and shall relate back to the time of first shipment of any Car under this ITEM 31.

**ITEM 31. NOTICE.** All notices provided for herein, as well as all correspondence pertaining to this Lease, shall be considered as properly given if:

- (a) given in writing and delivered personally or sent by registered, certified or regular mail.
- (b) by telex or cable.
- (c) by telecopy and confirmed thereafter in writing sent by registered, certified or regular mail.

The respective addresses for notice shall be the addresses of the parties given at the outset hereof. Such address may be changed by either party giving written notice thereof to the other party.

**ITEM 32. MISCELLANEOUS.**

(a) Governing Law. This Lease shall be governed and construed by the laws of the state of Ohio.

(b) Benefit. Subject always to the foregoing, this Lease shall be binding upon and inure to the benefit of Lessor, its successors and assigns, and Lessee, its successors and assigns.

(c) Entire Agreement. This instrument, constitutes the entire agreement between Lessee and Lessor and it shall not be amended, altered, or changed except by written agreement signed by the parties hereto.

(d) Severability. If any of the provisions of this Lease shall contravene, or be invalid under the laws of the state of Ohio, such contravention or invalidity shall not invalidate this entire Lease, but this Lease shall be construed as if not containing the particular provision or provisions held to be invalid, and the rights and obligations of the parties shall be construed and enforced accordingly.

(e) Financial Statements. During this Lease, Lessee: (1) shall furnish Lessor annual balance sheets and profit and loss statements of Lessee and any guarantor of Lessee's obligations accompanied by the audit report of an independent certified public accountant acceptable to Lessor within 90 days of Lessee's fiscal year end, and (2) shall furnish Lessor all other financial information and reports reasonably requested by Lessor at any time, including quarterly or other interim balance sheets and profit and loss statements of Lessee and any such guarantor within 45 days of request. Lessee shall furnish such other information as Lessor may reasonably request at any time concerning Lessee and its affairs. Lessee warrants that all information furnished and to be furnished to Lessor is accurate and that all financial statements it has furnished and hereafter may furnish Lessor, including operation statements and statements of condition, are and will be prepared in accordance with Generally Accepted Accounting Principles, consistently applied, and reasonably reflect and will reflect, as of their respective dates, results of the operations and the financial condition of Lessee and of any other entity they purport to cover.

(f) Filings: Power of Attorney. Lessee will execute and deliver to Lessor at Lessor's request all financing statements, continuation statements, and other documents in form satisfactory to Lessor, to perfect and maintain Lessor's interest in the Cars and to fully consummate all transactions contemplated under this Lease. Lessee by this Lease irrevocably makes, constitutes and appoints Lessor (or any of Lessor's officers, employees or agents designated by Lessor) as Lessee's true and lawful attorney with power to sign the name of Lessee on any such documents. This power, being coupled with an interest, will be irrevocable until all obligations of Lessee to Lessor have been fully satisfied.

(g) Late Payments. Interest at the rate of one and one-half percent (1½%) per month or the maximum rate permitted by law, whichever is less, shall accrue on the amount of any payment not made when due, including rental payments not made when due, hereunder from the date thereof until payment is made, and Lessee shall pay such interest to Lessor, on demand.

(h) Covenants. All covenants of Lessee herein shall survive the expiration or termination of this Lease to the extent required for their full observance and performance.

(i) Waivers. No delay or omission to exercise any right, power or remedy accruing to Lessor upon any breach or default of Lessee hereunder shall impair any such right, power or remedy nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein or of any similar breach or default thereafter occurring, nor shall any waiver of any single breach of default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of Lessor of any breach or default under this Lease must be specifically set forth in writing set forth.

(j) Jurisdiction & Jury Waiver. Lessee agrees that the state and federal courts in the state of Ohio or any other court in which Lessor initiates proceedings have exclusive jurisdiction over all matters arising out of this Lease and that service of process in any such proceeding shall be effective if mailed to Lessee at its address described in the first paragraph of this Lease. Lessor and Lessee hereby waive the right to trial by jury of any matters arising out of this Lease or the transactions contemplated thereby.

IN WITNESS WHEREOF, the parties have caused this instrument to be executed and delivered the day and year first above written.

**Lessor**

THE ANDERSONS, INC.

By: Kenneth H. Smith

Title: VP and GM Manufacturing Division

Date: 5/29/97

**Lessee**

LUZENAC AMERICA

By: TJ Kelly

Title: President

Date: 5-20-97

**FULL SERVICE LEASE #199701-LUZ  
RIDER # 199701-LUZR1**

This Rider to the Lease Agreement ("Lease") made as of February 28, 1997 between The Andersons, Inc. ("Lessor") and Luzenac America ("Lessee") is made this 28th day of February. The provisions of the Lease, solely as they relate to the Cars leased under this Rider, are incorporated by reference into and shall be deemed an instrument of Lease separate from any other rider under the Lease.

Lessor and Lessee agree as follows:

1. All terms defined in the Lease shall have the meanings as defined therein when used in this Rider.
2. Lessor hereby leases the following 6 Cars to Lessee subject to the terms and conditions of the Lease and this Rider.

Car Numbers: See Attached Exhibit "A", incorporated herein.

3. The term of the Lease with respect to each Car described in this Rider shall commence on Date of Placement and shall continue as to all of the Cars described in this Rider until May 31, 2002.
4. The fixed rent shall be [REDACTED] per Car per month for each full calendar month. The pro-rata rental rate for any Car not subject to an entire month shall be [REDACTED] per day for such Car during such month.
5. The Cars shall be used for transportation and storage of Talc.
6. Lessee is hereby authorized to sublease the Cars to Montana Rail Link and to allow Montana Rail Link to place their reporting marks on Cars. Montana Rail Link will show The Andersons (AEX) as the owner of Cars in the Umler file.

**Lessor**

THE ANDERSONS, INC.

By: [Signature]

Title: VP and GM Manufacturing Division

Date: 5/29/97

**Lessee**

LUZENAC AMERICA

By: [Signature]

Title: President

Date: 5-20-97



EXHIBIT A		
LUZENAC AMERICA #199701-LUZRI		
1	BAEX	179
2	BAEX	182
3	BAEX	210
4	BAEX	229
5	BAEX	235
6	BAEX	243

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04/29/97

## CERTIFICATION

The undersigned hereby certifies that the attached Full Service Lease Agreement is a true and accurate copy of The Andersons, Inc.'s Full Service Lease Agreement, Lease #199701-LUZ, between The Andersons, Inc. as Lessor and Luzenac America, a Colorado corporation, as Lessee.

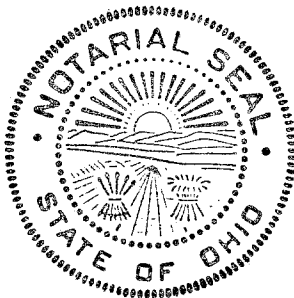
Cary Smith

Gary Smith, Vice President  
Finance and Treasurer

STATE OF OHIO )  
COUNTY OF LUCAS )ss:

Before me, a Notary Public, in and for said county and state, personally appeared Gary Smith, Vice President, Finance and Treasurer of The Andersons, Inc., and he being thereunto duly authorized, did sign the foregoing instrument in behalf of said corporation and by authority of its board of directors and that the same is the free act and deed of said officer and of said corporation.

In Testimony Whereof, I have hereunto set my hand and official seal at Maumee, Ohio, this 24rd day of December 1997.



Helio Amun Dabek

**Notary Public**

Notary Public  
My commission expires: JULIE ANN DISBLE  
Notary Public, State of Ohio  
My Commission Expires 8-20-2000